Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of Application by Qwest Communications International, Inc. for Authorization to Provide In-Region, InterLATA Services Montana, Utah, Washington, and Wyoming	))))))))	WC Docket No. 02-189

COMMENTS OF WORLDCOM, INC. ON THE APPLICATION BY QWEST COMMUNICATIONS INTERNATIONAL, INC. TO PROVIDE IN-REGION, INTERLATA SERVICES IN MONTANA, UTAH, WASHINGTON, AND WYOMING

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INTRODUCTION AND EXECUTIVE SUMMARY

Each day as WorldCom gains additional experience in the local market in Qwest territory, it becomes increasingly clear that Qwest's operation support systems (OSS) contain deficiencies that impede wide-scale entry. Qwest's two pending multi-state applications are unlike prior successful section 271 applications in that there has been very little commercial entry in any state in the Qwest region using the unbundled network platform (UNE-P), the only order type that can serve as a viable means of ubiquitous entry. Qwest must therefore rely almost entirely on a third-party test to show its OSS is ready. The third-party testers simply followed Qwest's documented procedures and did not assess whether Qwest's procedures themselves were adequate. As WorldCom has begun to gain experience in the Qwest region, it has become clear that those procedures are gravely deficient.

In its Evaluation of Qwest's first section 271 application (Qwest I), the Department of Justice ("DOJ") noted that, until recently, competitors including WorldCom were kept out of the local market in Qwest territory because of Qwest's highly excessive UNE-rates and completely untested OSS. As Qwest made needed reductions to its UNE rates and subjected its OSS to a third-party test, WorldCom was able to enter the local market on a limited basis in two of the four states for which Qwest is seeking section 271 authority here.

Specifically, WorldCom, in partnership with Z-Tel, began offering its Neighborhood product to customers in Washington and Utah in April of this year. WorldCom would like to offer all of its Neighborhood products, including its more basic and less expensive products, to the mass market on a statewide basis throughout Qwest territory. In addition, WorldCom offers DSL service to ISPs and businesses in Washington by leasing from Qwest xDSL capable loops and the high frequency portion of local loop. WorldCom would like to grow its DSL business in Washington. But WorldCom can grow neither its Neighborhood nor DSL businesses unless Qwest corrects key deficiencies in its OSS and further reduces its UNE-rates.

The most important known deficiencies in Qwest's OSS do not exist in any other region in the country. For example, only Qwest requires that CLECs include a customer's service address on a UNE-P migration order and only Qwest requires the CLEC to reference a customer's retail features in placing an order. The complexities of Qwest's pre-order/order process substantially increase required development expenses, force customer service representatives to spend too much time on the phone, and lead to an extremely high reject rate. WorldCom's reject rate in July has been approximately 33 percent in the Qwest region, which is twice as high as its reject rate in other regions in which WorldCom is ordering through Z-Tel systems.

Qwest must cure its OSS deficiencies before being granted section 271 relief. While many additional problems are likely to become apparent as we gain commercial experience, even today it is clear that the following key systems issues must be fixed before Qwest's OSS can be deemed ready:

- Qwest must offer migration by name and telephone number
- Qwest must adopt the industry standard version of migrate-as-specified that allows CLECs to list only the features the customer desires from the CLEC, without reference to features and line class codes the customer previously had
- Qwest must update Customer Service Records more quickly

- Qwest must improve the intervals in which it provisions UNE-P orders
- Qwest must improve its flow-through performance
- Qwest must stop returning jeopardies or rejects that require CLECs to correct orders after Qwest has already transmitted a FOC
- Qwest must improve its performance in repairing lines
- Qwest must show that its new CABS BOS billing are accurate and formatted properly
- Qwest must make its test environment mirror its production.

In addition, Qwest's benchmarking methodology used to support its recurring UNE rates in Montana, Utah, Washington, and Wyoming fails to accurately reflect the relative minutes of usage in these states. This error results in inflated UNE rates - switch usage rates are overstated by 12.8 percent in Washington, 9.1 percent in Montana, and 1.1 percent in Utah. Qwest should correct this by using state-specific minutes-of-use rather than standard demand assumptions, consistent with the Commission's most recent section 271 decision.

Finally, Qwest must provide WorldCom with customized routing in the form requested, as reconfirmed by the Commission's recent Virginia Arbitration decision.

The Commission should deny Qwest's section 271 application for Montana, Utah, Washington, and Wyoming until Qwest fixes its OSS deficiencies, lowers UNE rates, and provides customized routing in accordance with Commission precedent.

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EXHIBITS

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TABLE OF CITATION FORMS

FCC Orders	
Georgia/Louisiana Order	In re Joint Application by BellSouth Corporation, BellSouth Telecommunications, Inc. And BellSouth Long Distance, Inc. for Provision of In-Region, InterLATA Services in Georgia and Louisiana, CC Docket No. 02-35, Memorandum Opinion and Order, FCC 02-147 (rel. May 15, 2002).
Louisiana II Order	In re Application of BellSouth Corporation, et al. Pursuant to Section 271 of the Communications Act of 1934, as Amended, to Provide In-region, InterLATA Services in Louisiana, CC Docket No. 98-121, Memorandum Opinion and Order, 13 F.C.C.R. 20599, FCC No. 98-271(1998).
New Jersey Order	In re Application by Verizon New Jersey Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions), Verizon Select Services Inc. for Authorization To Provide In-Region, InterLATA Services in New Jersey, WC Docket No. 02-67, Memorandum Opinion and Order, FCC No. 02-189 (rel. June 24, 2002).
Pennsylvania Order	In re Application of Verizon Pennsylvania, Inc., et al Pursuant to Section 271 of the Communications Act of 1934, as Amended, to Provide In-region, InterLATA Services in Pennsylvania, CC Docket No. 01-138, Memorandum Opinion and Order, 16 F.C.C.R. 17419, FCC No. 01-269 (2001).
Texas Order	In re Application by SBC Communications Inc., Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance Pursuant to Section 271 of the Telecommunications Act of 1996 To Provide In-Region, InterLATA Services in Texas, CC Docket No. 00-65, Memorandum Opinion and Order, 15 F.C.C.R. 18354 (2000).
UNE Remand Order	In re Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98, Third Report and Order, 15 F.C.C.R. 3696 (1999).

FCC Orders	
Virginia Arbitration Order	In re Petition of WorldCom, Inc. Pursuant to Section 252(E)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia Inc., and for Expedited Arbitration, CC Docket No. 00-218, Memorandum Opinion and Order, DA 02-1731 (rel. July 17, 2002)
Declarations and Affidavits	
Frentrup Decl.	Declaration of Chris Frentrup on Behalf of WorldCom Inc. (Tab 3 hereto).
Lichtenberg Decl.	Declaration of Sherry Lichtenberg on Behalf of WorldCom Inc. (Tab 1 hereto).
Lichtenberg Reply Decl.	Reply Declaration of Sherry Lichtenberg on Behalf of WorldCom Inc., attachment to Reply Comments of WorldCom, Inc., In re Application of Qwest Communications Int'l et al Pursuant to Section 271 of the Communications Act of 1934, as Amended, to Provide In-region, InterLATA Services in Colorado, Idaho, Iowa, Nebraska and North Dakota, WC Docket No. 02-148 (July 29, 2002).
Nielson Decl.	Declaration of Jeffery Nielson on Behalf of WorldCom Inc. (Tab 2 hereto).
Notarianni & Doherty Decl.	Declaration of Lynn M.V. Notarianni and Christie L. Doherty on Behalf of Qwest Communications Int'l (Qwest App. Att. 8, App. A)
Simpson Reply Decl.	Reply Declaration of Lori A. Simpson on Behalf of Qwest Communications Int'l, attachment to Reply Comments of Qwest Communications Int'l, In re Application of Qwest Communications Int'l et al Pursuant to Section 271 of the Communications Act of 1934, as Amended, to Provide In-region, InterLATA Services in Colorado, Idaho, Iowa, Nebraska and North Dakota, WC Docket No. 02-148 (July 29, 2002).
DOJ Evaluations	
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Other Materials	
Qwest I June 20, 2002 *ex parte* letter	Letter to Marlene H. Dortch, FCC, from Jason D. Oxman, Covad, WC Docket No. 02-148, filed June 20, 2002.
Qwest I July 10 *ex parte* letter	Letter from Peter D. Shields, Wiley Rein & Fielding, to Marlene H. Dortch, FCC, filed July 10, 2002
Qwest I July 12 *ex parte* letter	Letter from R. Hance Henry, Qwest, to Marlene H. Dortch, FCC, WC Docket No. 02-148, filed July 12, 2002
Qwest I July 17 *ex parte* letter	Letter from R. Hance Henry, Qwest, to Marlene H. Dortch, WC Docket No. 02-189, filed July 17, 2002
Qwest I July 22 *ex parte* letter	Letter from David Sieradzki, Hogan & Hartson, to Marlene H. Dortch, Secretary, FCC, filed July 22, 2002
Qwest I July 29 *ex parte* letter	Letter from Sumeet Seam, Hogan & Hartson, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 02-189, filed July 29, 2002.

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COMMENTS OF WORLDCOM, INC. ON THE APPLICATION BY QWEST COMMUNICATIONS INTERNATIONAL, INC. TO PROVIDE IN-REGION, INTERLATA SERVICES IN MONTANA, UTAH, WASHINGTON, AND WYOMING

Qwest's application for section 271 relief in Montana, Utah, Washington, and Wyoming should be rejected. First, Qwest's OSS deficiencies are becoming increasingly evident and deny CLECs a meaningful opportunity to compete. Second, Qwest's UNE rates continue to be excessive and preclude mass-market entry on a statewide basis in any of the states for which Qwest has applied. Third, Qwest is not providing customized routing for purposes of transporting OS/DA traffic, which is inconsistent with Commission precedent, particularly the Commission's recent Virginia Arbitration decision.

I. QWEST MUST RESOLVE NUMEROUS OSS DEFICIENCIES

Qwest has applied for section 271 authority while significant deficiencies still exist in its OSS and while much about its OSS remains completely unknown. Unlike other BOCs that have been granted section 271 authority, Qwest cannot rely on significant commercial activity anywhere in its region to demonstrate the readiness of its OSS to process basic UNE-P orders, the only entry vehicle that can today support broad-based entry for residential and small business markets. In June 2002, Qwest processed only 6,417 UNE-P orders via its EDI ordering interface region-wide, its highest volume month to date, and even this small number is inflated as an estimate of Qwest's ability to process UNE-P orders. Lichtenberg Decl. ¶¶ 6-8. Moreover, some of these orders were not true UNE-P residential orders but rather a different product called UNE-E. Id. In contrast, in other regions, WorldCom alone often submits 3,000-5,000 UNE-P orders *per day* in individual states. Id. ¶ 5.

The absence of significant commercial entry in the Qwest region is the result of years of delay by Qwest in even attempting to implement the basic requirements of the Telecommunications Act. Until recently, Qwest's UNE rates were so far above cost as to make entry unthinkable. And Qwest's Operations Support Systems (OSS) were far behind those of other regions. While Qwest has recently made progress in addressing these problems, it is only now that Qwest is beginning to gain the commercial experience that will show whether its OSS is ready for competition.

Neither of the two national CLECs that are using UNE-P as a primary entry strategy, WorldCom or AT&T, even entered the Qwest region until very recently. In partnership with Z-Tel Communications, Inc. (Z-Tel),[1] WorldCom started offering local service in parts of the Qwest region in April 2002 with its Neighborhood product, which bundles local and unlimited long-distance service, along with five features, for a set price. Of the states for which Qwest has sought section 271 authority in this application, WorldCom is offering its Neighborhood product in certain parts of Washington and Utah. To date, however, WorldCom's experience remains quite limited. Yet even with low volumes in the Qwest region, WorldCom already has discovered key difficulties with Qwest's OSS.

While many additional problems are likely to become apparent as we gain commercial experience, even today it is clear that the following key systems issues must be fixed before Qwest's OSS can be deemed ready:

- Qwest must offer migration by name and telephone number
- Qwest must adopt the industry standard version of migrate-as-specified that allows CLECs to list only the features the customer desires from the CLEC, without reference to features and line class codes the customer previously had
- Qwest must update Customer Service Records more quickly
- Qwest must improve the intervals in which it provisions UNE-P orders
- Qwest must improve its flow-through performance
- Qwest must stop returning jeopardies or rejects that require CLECs to correct orders after Qwest has already transmitted a FOC
- Qwest must improve its performance in repairing lines
- Qwest must show that its new CABS BOS billing are accurate and formatted properly.
- Qwest must make its test environment mirror its production environment

These issues likely are only the tip of the iceberg. In every market that WorldCom has entered, it has found significant OSS problems that were not discovered in third-party

[1] We refer in these comments to the problems that WorldCom is experiencing with Qwest's OSS in providing service to customers signing up for the Neighborhood. We note that because Z-Tel is transmitting the orders over its interfaces, we rely in some cases on information provided to us by Z-Tel.

tests. Yet because of the dearth of commercial experience, Qwest is forced to rely almost entirely on the third-party test to prove the readiness of its OSS. The Commission has long understood that third-party tests are a second-best substitute for actual commercial experience. In other regions, BOCs applying for section 271 authority always were able to rely on commercial experience in at least one state in their region to show the readiness of their OSS to process basic UNE-P orders for residential customers. Because Qwest lacks such experience, the Commission should scrutinize the third-party test results very closely.

Close scrutiny reveals that Qwest's OSS is not ready. Unlike third-party tests in other regions, the third-party test here ended while KPMG continued to deem Qwest's performance unsatisfactory with respect to a number of important issues. The third-party test also ended with a number of important issues unresolved because Qwest unilaterally determined that certain issues should not be retested. On other important issues, Qwest only escaped a finding of unsatisfactory performance because the test criteria used by KPMG were so-called "diagnostic" criteria for which KPMG was not tasked with reaching an ultimate conclusion on Qwest's performance. These kinds of results do not show that Qwest's OSS is fully ready. And WorldCom's limited commercial experience to date confirms that it is not.

A. Qwest's Pre Ordering And Ordering Processes Are Far Too Complex

As WorldCom has begun to gain commercial experience, it has come to understand that Qwest's pre-order and order processes are more complex than it previously imagined – in ways that differentiate Qwest from every other BOC. Qwest's complex processes force WorldCom to spend scarce resources in an attempt to compensate for Qwest's deficiencies, require customer service representatives to spend far too long on the line with customers, and result in order rejections at a rate approximately double that in other regions. Qwest must make two key changes to reduce this complexity and bring its pre-order/order processes in line with other regions: it must allow migration by name and telephone number, and it must adopt the industry standard version of migrate-as-specified. Unlike in other BOC regions, a CLEC in Qwest territory must begin its pre-order inquiries by using the address validation function, which requires the customer service representative to type in the customer's address. For some reason, in response to an address validation request, Qwest will often return a number of possible addresses, rather than simply saying that the entered address is valid. The customer service representative must then choose the correct address from among these addresses in consultation with the customer. Lichtenberg Decl. ¶¶ 20-21.The CLEC's customer service representative must next obtain the customer's Customer Service Record ("CSR"). This is not as easy as it seems, however, because in approximately 10 percent of cases Qwest returns multiple CSRs in response to a CSR inquiry. These may include CSRs that describe a customer's previous account, for example. As with the address validation function, the CLEC's customer service representative must determine which CSR is correct in consultation with the customer. Lichtenberg Decl. ¶¶ 22-23.

Once the CLEC has determined which CSR is correct, it must obtain several pieces of information from the CSR in order to place them on the order. The CLEC must include the customer's service address on the order. The CLEC must include the customer's existing "line class code" on the order. The CLEC must include the customer's "customer code" on the order – a unique code assigned by Qwest to every retail customer. Finally, for every feature the customer orders, the CLEC must include a code to indicate whether that feature is one the customer already has or is a new feature the customer wishes to have for the first time. If the CLEC does not accurately describe whether it is a new feature or not, the order will be rejected. Lichtenberg Reply Decl. ¶¶ 25-26.

Once the CLEC obtains all of this information from the customer's CSR, the CLEC must either retype all of the information or attempt to develop the software to integrate that information with its ordering process, making integration far more difficult than in regions where this information is not required.[2] Id. ¶¶ 27, 31. Moreover, if the information on the CSR has not been updated or has been updated incorrectly, the order submitted will not accurately reflect the customer's existing features and will be rejected even if integration is successful. Id.

As WorldCom knows from entering local markets across the nation, the ability to transmit migration orders based on the customer's name and telephone number is critical. The "migrate by name and telephone number" functionality is essential because it eliminates the need for CLECs to perform an address validation function and also eliminates the need for CLECs to transmit customers' addresses and customer code on orders. It thus avoids the possibility that orders will be rejected due to address errors or errors pertaining to the customer code. Georgia/Louisiana Order ¶ 125. Rejection of

[2] In its test of CLECs' ability to integrate pre-ordering and ordering interfaces, Hewlett Packard ("HP") found hundreds of inconsistencies between pre-ordering and ordering requirements, including inconsistent business rules and invalid field values and data types. Lichtenberg Decl. ¶21. HP also noted other integration issues, such as return of the billing section as a concatenated street field, Qwest's failure even to return information at the pre-order stage for several industry standard fields, and 41 CSR-related issues. *Id.* HP concluded that although possible for a CLEC with appropriate resources, funding, time and planning, integration would prove very challenging. That challenge is magnified many fold by Qwest's requirements as to all of the information that must be included on a UNE-P migration order.

orders due to address errors is one of the most common types of rejects. Notably, every BOC except for Qwest offers CLECs the ability to migrate by name and telephone number and did so by the time the Commission approved any section 271 application for that BOC; thus, Qwest should long have been aware of its importance. Lichtenberg Decl. ¶ 42.[3]

The ability to use industry standard ordering for "migration as specified" is equally critical. It avoids the need for CLECs to properly determine the customer's retail line class codes and features and include this information on the order. Qwest should never have adopted the current process. There is no reason that Qwest's ordering process should differ from the ordering process in every other region of the country. Lichtenberg Decl. ¶ 41.

All of these requirements are unique to Qwest. In other regions, CLECs do not have to perform an address validation function in order to place a migration order, and, if they do decide to perform this function, they can access the function based on telephone number rather than address. In other regions, CLECs do not have to determine which of multiple CSRs is correct. The BOCs in those regions return only one CSR in response to a CSR inquiry. In other regions, CLECs do not have to include the service address, the customer code, the line class code, or any information about the customer's existing features on a UNE-P migration order. Lichtenberg Decl. ¶¶ 19, 27. Qwest's pre-order/order process is simply the most complicated of any of the BOCs.

The complexities of Qwest's process significantly limit a CLEC's ability to compete. First, a CLEC customer service representative must spend too much time on the phone with each customer. The representative must type in the customer's address, perform an

[3] See also Texas Order ¶ 160; Georgia/Louisiana Order ¶¶ 122, 125.

address validation function, discuss with the customer which of multiple addresses is correct, and discuss with the customer which of multiple CSRs is correct – all before discussing with the customer the features that he or she would like. In a high volume, mass markets business, it is critical that customer service representatives operate efficiently and do not waste time on the phone with customers performing unnecessary functions. Moreover, customers may become impatient after being asked several times to list their address, verify which address returned is correct, and verify which CSR returned is correct. Lichtenberg Decl. ¶ 28.

Second, Qwest's complex ordering process forces CLECs to spend far more resources than they should have to in order to develop a working interface. For example, WorldCom's partner in the Qwest region, Z-Tel, has been forced to develop the capacity to display multiple CSRs on the desktops of customer service representatives, a capacity that is not needed in any other region and that Z-Tel had no reason to believe would be needed in Qwest. Attempting to integrate pre-ordering and ordering interfaces in Qwest is also much more costly than elsewhere because of the need to include so much extra information from the CSR on each order. Lichtenberg Reply Decl. ¶¶ 24, 29. Indeed, Hewlett Packard noted the complexity of developing integrated pre-ordering and ordering interfaces during testing. Notarianni & Doherty Decl., LN-OSS 12 at 9, 25-27.

Third, CLECs face a much higher reject rate in the Qwest region than elsewhere. Because CLECs must determine which service address is accurate and which CSR is accurate and must then pull many pieces of information from the CSR to place on an order, there is far more possibility of error on Qwest orders than on orders in other regions. The result is a high reject rate. Lichtenberg Decl. ¶ 30.

WorldCom's reject rate in July has been approximately 33 percent in the Qwest region. This is twice as high as its reject rate in other regions in which WorldCom is ordering through Z-Tel systems. This is so even though WorldCom began placing orders through Z-Tel systems at the same time (i.e., April 15, 2002) in each region. Absent problems with Qwest's OSS, we would expect the same reject rate in the Qwest region as in other regions. Lichtenberg Decl. ¶ 14.

WorldCom's reject rate is not atypical. Region-wide, Qwest rejected 37.8% of the orders it received via the IMA GUI in June and rejected 32.31% of the orders it received via EDI (Perf Results, PO-4A-1, 4A-2, 4B-1, 4B-2). Hewlett Packard also had a reject rate of between 32 and 41 percent during testing.[4] These are extremely high reject rates and have a major impact on CLECs. WorldCom must spend time and effort correcting each reject. This not only wastes resources but also delays the ultimate completion of the order. These difficulties are magnified in the Qwest region because the orders that WorldCom is submitting to correct rejects are themselves frequently rejected. Lichtenberg Decl. ¶ 40 n.5.

In its Evaluation of the Qwest I application, the DOJ notes the high reject rate in the Qwest region,[5] and also notes that among the fundamental causes of this high reject rate are the requirement to include a service address on every order and the requirement to list a customer's existing features on every order. The DOJ did not resolve whether these systems issues warranted denial of Qwest's application, DOJ Qwest I Eval. at 16, instead

[4] This is so even though both WorldCom and Hewlett Packard were placing orders through pre-order/order interfaces that were ostensibly integrated, further emphasizing either the difficulty of successful integration or the difficulty of achieving a low reject rate even with integrated interfaces given the complexities of Qwest's systems. As the Commission explained, "[w]e do not simply inquire whether it is possible to transfer information from pre-ordering to ordering interfaces. Rather, we assess whether the BOC enables *successful* integration." Georgia/Louisiana Order ¶ 119.

[5] DOJ Qwest I Eval. at 15.

preferring to discuss them in the context of manual handling issues. But the most critical problems caused by these systems issues are not related to manual handling. Instead, the problems are the complexity of the pre-order/order process itself, the resources needed to develop a workable interface, and the high reject rate. Lichtenberg Decl. ¶ 34.

As to the high reject rate, the DOJ is incorrect that the reject rate in Qwest is similar to that in the BellSouth region at the time of BellSouth's Georgia/Louisiana application.[6] The reject rate in the Qwest region is far higher. Moreover, the high reject rate in the Qwest region is related to the complexity of Qwest's systems. In other regions, for example, WorldCom's reject rate fell significantly after implementation of migration by telephone number – just what occurred in BellSouth in November 2001. But Qwest has not simplified its ordering process in this way.[7]

Qwest may argue that these systems issues are being resolved through the change management process. That is true. WorldCom has issued a change request that would enable CLECs to transmit orders based on name and telephone number and WorldCom's partner Z-Tel has issued a change request for industry standard "migrate-as-specified" ordering that would enable CLECs to list only the features a customer desires going forward without reference to prior line class code or features. These two change requests would greatly simplify the pre-order/order process and significantly reduce the problems discussed above. Lichtenberg Decl. ¶¶ 41-43.

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[6] DOJ Qwest I Eval. at 15 n.61.

[7] Qwest's assertion in the Qwest I July 29 *ex parte* letter that Hewlett Packard was able to achieve a low reject rate during testing does not include all of the orders that were returned to Hewlett Packard for correction. Hewlett Packard's actual reject rate during testing was well over 30 percent, as evident from the final test report. As for Qwest's assertion about a CLEC called New Access, one month's worth of data from a single CLEC with an unknown order mix and a very low order volume hardly demonstrates that Qwest's systems are acceptable – especially since the complexity of Qwest's systems has significant harmful consequences beyond its impact on reject rates. Moreover, with the exception of New Access's

CLECs have prioritized the request for "migration as specified" second among CLEC change requests and have prioritized the request for migration by name and telephone number nineteenth. As a result, both will likely eventually be implemented. But the earliest either will be implemented is April 2003. Lichtenberg Decl. ¶ 46. And there is not yet any assurance they will be implemented even then – or that they will be implemented effectively. That is insufficient.

The fact that important systems defects may eventually be resolved through change management does not warrant approval of Qwest's section 271 application today. That this is so is apparent from considering a hypothetical BOC section 271 application in which the BOC had yet to undertake any significant OSS development. Surely in such circumstances the BOC could not argue that it had in place an acceptable change management process, that all important CLEC requests for changes had been prioritized, and that all would ultimately be implemented. An effective process of ensuring future improvements would not substitute for working OSS. Lichtenberg Reply Decl. ¶ 47.

The same is true for Qwest. In order to warrant section 271 approval, Qwest's OSS must be ready today and must afford CLECs a meaningful opportunity to compete. Qwest's OSS is not ready.

B. Qwest's Process For Placing Orders For Account Maintenance Also Is Complex

Qwest's pre-ordering/ordering process is remarkably complex not only with respect to placement of initial CLEC UNE-P orders but also with respect to supplemental orders for account maintenance – such as orders to change the features on a customer's account. Such orders should be simple because the CLEC will already have imported all

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reject rate in June, the reject rate for CLECs is almost uniformly very high across the region. *See* Qwest I information about a customer's account into its own database and thus should not have to engage in the pre-ordering process at all. Lichtenberg Decl. ¶ 48.

But Qwest requires a CLEC to include the customer code on account maintenance orders as well as initial orders – and Qwest changes the code before CLECs can submit the account maintenance orders. The code is a different code than existed at the time the CLEC placed an initial order on the account. Thus, the CLEC cannot rely on the customer code it obtained at the pre-order stage when placing its initial order and that it imported into its own database. The CLEC must repeat each of the pre-order steps and obtain the new customer code from the CSR. Such duplicative effort greatly complicates the process of placing account maintenance orders. Lichtenberg Reply Decl. ¶ 49. Moreover, having to place customer code numbers on an order is another reason that it is vital for CLECs to be able to place orders by name and telephone number, because it will enable CLECs to place account maintenance orders based on information in their own databases.

Qwest's systems lead to frequent rejection of account maintenance orders for a second reason as well. After an initial CLEC order, Qwest will reject account maintenance orders for that account until it has updated the CSR to reflect CLEC ownership of the account. Qwest has informed WorldCom that this typically takes 5 to 7 days and sometimes takes up to 30 days. This is entirely unacceptable. Customers frequently request new features soon after migration, as they change their mind about what they would like on their account. It is critical that CLECs are able to place account maintenance orders relatively soon after migration. Yet so far Qwest has indicated that it

July 17 confidential *ex parte* letter.

will likely reject an AT&T change request that it update CSRs in 24 hours. Lichtenberg Decl. ¶¶ 50-51.

C. Qwest Takes Too Long To Provision Orders

Once CLECs surmount the hurdles presented by Qwest's ordering process, Qwest takes far too long to provision basic orders. A UNE-P order should be completed on the same day that it is sent, as only a simple software change is required of the BOC. Indeed, in all other regions, CLECs can request same-day processing for orders submitted before 3:00 p.m. But in the Qwest region, unlike other regions, the shortest interval that CLECs can request on a UNE-P migration is three days if the customer is changing any features – something that occurs on all WorldCom Neighborhood orders because WorldCom offers a standard package of features. Lichtenberg Decl. ¶¶ 52-53. The three day interval applies even where no dispatch is required on the order and all that is required is a translation at the switch. Although Qwest may suggest this is parity, it is impossible to believe that ILEC customers have to wait three days for a switch translation such as a feature change.

Furthermore, KPMG found that Qwest did not install non-dispatch orders for the Pseudo-CLEC within a time period in parity with Qwest's retail operations for UNE-P services or business POTS services. Qwest failed both the original test and re-tests in all its regions. Final Test 14-1-34, 14-1-36. But the real issue is not one of parity, since there is no obvious ILEC order type to which a UNE-P migration can be compared, with the possible exception of a feature change. The real issue is that a three-day interval is simply too long.

It has long been clear that rapid installation of basic orders is critical to a CLEC's ability to compete effectively. Qwest has not yet shown that it can provide CLECs the ability to offer rapid installation to their customers. Qwest's failure to provision UNE-P orders in a timely manner also emphasizes the need for Qwest to improve flow through performance. Quite likely, Qwest was compelled to set a three-day interval for UNE-P migration orders because it manually processes too many of these orders. A UNE-P flow-through order simply should not take several days to provision. Whatever the cause, Qwest takes far too long to process UNE-P migrations.

D. Qwest Manually Processes Too Many Orders

In its Qwest I Evaluation, the DOJ questioned Qwest's ability accurately to process orders with today's high level of manual processing. It was right to do so. Qwest processes far too many orders manually and has not shown that it is capable of effectively processing a high volume of orders even with current levels of manual intervention.

During the third-party test, flow-through was considered a diagnostic measure only. Thus, KPMG did not reach a conclusion as to whether Qwest's flow-through performance was adequate. But KPMG did find a high level of manual handling in Qwest. In particular, KPMG found that only 51.86 percent of 3,650 order transactions submitted via EDI flowed through to the service order processor. Final Test 13-1-2. Although Qwest's performance was better for orders designed to flow through, even for these orders, a significant percentage fell out for manual handling during the test. KPMG found that more than five percent of UNE-P transactions that were designed for flow-through failed to flow through, unlike in other regions where KPMG tests revealed near 100 percent flow through for orders designed to flow through. Final Test 13-1-4, 13-1-5. Lichtenberg Decl. ¶ 59.

Qwest's commercial experience is even worse than the test results. In June 2002, Qwest flowed through only 51 percent of UNE-P orders received via EDI region wide (Performance Reports, PO-2A-2). It is clear that Qwest has not designed to flow through some order types that are important and clearly should flow through – such as supplemental orders to change due dates or features. Lichtenberg Decl. ¶ 60. It is not clear why any significant fraction of UNE-P orders should not flow through. It may be that there are important categories of orders that are not designed to flow through but that Qwest has not included in its list of order types that are not designed to flow through. WorldCom has found this to be the case in other regions.

In any event, even with respect to what Qwest considers flow through of eligible LSRs, Qwest's performance has been extremely poor. Only 86 percent of eligible LSRs for UNE-P received via EDI flowed through in June region wide. (Performance Reports, PO-SB-2). This is inadequate performance with respect to orders that ostensibly were designed to flow through. As of July, the benchmark for flow-through of eligible orders will be 90 percent, and, unless Qwest's performance improves, Qwest will not meet the new benchmark.

Qwest's poor flow through performance is almost certain to cause significant problems. Unlike in other regions, Qwest does not have sufficient commercial experience to show that it can process orders manually without difficulty as ordering volumes increase significantly. Indeed, Qwest has not even shown it can do so with low order volumes. Although Qwest touts its new measure of service order accuracy, this measure actually shows nearly a 10 percent error rate in the provisioning of resale orders (which, in Qwest's categorization, also include UNE-P orders). (Perf. Reports (PO –20)). This is extremely poor performance especially since, as of today, this provisional measure only includes 12 fields from the Local Service Request (such as address fields) – it does not even include any fields related to accurate provisioning of features. The error rate would surely be much higher if these fields were included.

Moreover, Qwest's own data show that a high percentage of manually processed LSRs are immediately rejected by the Service Delivery Coordinators.[8] Qwest's data also show that measured as a percentage of all unbundled loop orders, 6 percent of the orders contain human errors.[9] The error percentage would presumably be much higher if only manually processed orders were included. Although Qwest indicates that most of these errors do not harm CLECs, such a high percentage of errors is indicative of a significant problem.

Further, the third-party test shows that Qwest's manual processing is far from adequate. KPMG determined that Qwest lacks defined, documented, and adhered-to procedures for processing orders that have not flown through. Final Test 12.8-2 (due to Observation 3110).[10] And KPMG found that manual processing led to numerous errors that affected the accuracy of performance reporting. Final Test 12-11-4, 14-1-44.[11]

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[8] Qwest I July 12 *ex parte* letter.
[9] Qwest I July 12 *ex parte* letter.
[10] As part of a retest of Exception 3120 involving integrity issues with data used for performance measuring, KPMG determined that 8 orders that should have flowed through fell out for manual handling. KPMG then looked at a larger data set. As KPMG explained at the June 20, 2002 ROC meeting with FCC staff, on orders that fell out for manual handling there was an error rate of approximately 15 percent in processing those orders. *See also* Observation 3110.
[11] KPMG concluded that, "[w]ithout further retesting specifically designed to assess the impact of human error on the accuracy and completeness of Qwest's PID reporting, KPMG Consulting is unable to conclude that Qwest satisfied this evaluation criterion." Id.

While poor flow through might not itself justify rejection of a section 271 application, poor flow through in a region where there is little commercial experience and where all evidence suggests the BOC cannot accurately process orders manually does warrant such rejection.

E. Qwest Does Not Provide Proper Order Status Notices

As Qwest properly acknowledges, it is vital that an ILEC transmit timely and accurate order notices to CLECs, including firm order confirmations, rejects, jeopardies and completion notices. Qwest is not yet doing so, as described below.

*Qwest Transmits Jeopardies Requiring Supplementation After Firm Order Confirmations (*FOC*).* When Qwest rejects an order and requires the CLEC to supplement the order to correct it, Qwest sometimes does so by transmitting a jeopardy notice rather than a reject notice. WorldCom receives a substantial number of jeopardies that require it to send supplements before Qwest will complete the order. Lichtenberg Decl. ¶ 72. Qwest transmits these jeopardies after it has already transmitted FOCs on the orders. After the FOC, Qwest should not be sending any order status notice that requires additional work by the CLEC, as the purpose of the FOC is to communicate to the CLEC that the order has been accepted.

Indeed, HP opened an exception during the test because Qwest was submitting rejects after FOCs. Lichtenberg Decl. ¶ 74. Apparently Qwest responded by turning the rejects into jeopardies even though they were based on errors on CLEC orders. Id. That is hardly a solution, however.

In its Qwest I Reply Comments, Qwest acknowledges returning jeopardies to WorldCom's partner Z-Tel after FOCs have been transmitted. Qwest indicates that when they are manually processing orders, Qwest service representatives sometimes mistakenly accept an order that is later rejected by downstream systems. But that is WorldCom's point – edits that result in rejection of an order back to the CLEC for clarification should not occur after a FOC has issued. Lichtenberg Decl. ¶ 78.

Transmission of a jeopardy after a FOC, instead of a reject before a FOC creates substantial difficulty for CLECs. Z-Tel's systems, for example, were established based on the premise that only rejected orders would have to be corrected, not orders receiving a jeopardy notice. Z-Tel's systems were also set up based on the premise that receipt of a FOC means that the order has been accepted. Z-Tel has had to modify its systems so that it can evaluate whether jeopardy notices require a correction to the original order, which resulted in significant costs. Id. ¶ 76. In addition, Qwest's process causes significant complications for CLECs tracking the status of an order. Because CLECs must essentially re-code jeopardies as rejects to show that the order must be supplemented, it is much harder to track the jeopardies and rejects that have been received. Moreover, because only some jeopardy notices require supplemental orders, CLECs must manually check each jeopardy notice to see if a supplemental order is required. This adds unnecessary time and complications for CLECs. Id.

Qwest Fails To Show It Can Identify More Than One Error at a Time. RBOCs must be able to identify multiple errors on an order and return these errors simultaneously to a CLEC for correction. If errors are identified one at a time, substantial extra work is created for the CLEC, and order processing is significantly delayed. Yet KPMG did not attempt to evaluate Qwest's ability to handle orders containing multiple errors. Lichtenberg Decl. ¶ 83.[12]

Qwest May Return Completion Notices When Orders Have Not Been Completed. As we will discuss in more detail below, Qwest returns completion notices on DSL orders even when orders have not been completed. It now appears that this may be true for UNE-P orders as well. According to an e-mail from Qwest, such service orders "auto-complete" at the end of each day.[13] Presumably such auto-completion occurs regardless of whether all necessary work has been completed – for example, field work or central office work required for a new installation. This would make completion notices largely worthless and Qwest's performance measurements regarding such notices worthless as well. WorldCom is transmitting a series of questions to Qwest to determine whether its concern is warranted. Lichtenberg Decl. ¶ 84.

F. Qwest Fails To Repair Too Many Troubles

The third-party test revealed substantial deficiencies in Qwest's performance in repairing troubles on CLEC lines. Once again, however, the test ended before all of these deficiencies had been corrected. Most important, KPMG determined that Qwest's performance in repairing troubles was unsatisfactory. KPMG concluded that Qwest was able to fix only 92 percent of troubles on the first try. Lichtenberg Decl. ¶ 86. This is very poor performance that significantly impacts customers experiencing problems with their service. Qwest's failure to repair troubles also harms CLECs because the CLECs' new customers become extremely dissatisfied with their service when there is delay in fixing troubles on their line.

[12] The one very limited exception occurred when the Pseudo-CLEC accidentally transmitted an LSR with more than one error.

Although Qwest indicates that its commercial performance is acceptable, Notarianni & Doherty Decl. ¶ 461, Qwest's commercial performance is in fact extremely poor. When no dispatch was required, the repeat trouble rate for CLEC UNE-P customers region-wide was more than 20 percent in February and April and more than 17 percent in March and more than 15 percent in May and June. (Performance Reports MR-7C) Qwest's performance was worse for CLECs than for retail in every one of the last 12 months. Lichtenberg Decl. ¶ 88.

G. Qwest Has Not Shown It Provides Auditable Bills

Until July 1, 2002, Qwest was the only RBOC that did not provide electronic CABS BOS (i.e., Carrier Access Billing System/Bill Operating System) billing for wholesale charges even though CLECs have been requesting such bills since 1996. Although Qwest announced on July 1 that it is now providing CABS BOS bills, its process has not yet been tested either by CLECs or by a third-party tester, much less used commercially. Those bills therefore cannot provide the basis of a conclusion that Qwest's wholesale bills are adequate, as the DOJ noted in its Qwest I Evaluation.[14] As this Commission fully understands from addressing the billing problems that arose in Verizon's section 271 application for Pennsylvania, successful deployment of CABS BOS billing can take many months.[15]

The CRIS bills that Qwest has been providing in place of CABS BOS bills are entirely inadequate. They vary in different parts of the Qwest region. Combined with difficult mapping issues, this makes it difficult for WorldCom to design billing systems to

[13] *See* Nielson Decl. at Exhibit 1.
[14] DOJ Qwest I Eval. at 23.
[15] Pennsylvania Order ¶ 19.

handle the CRIS bills. The bills also lack detailed information WorldCom needs to audit the bills. Lichtenberg Decl. ¶¶ 90-91. Although Qwest claims the bills are auditable, Qwest nowhere states that the bills include the Universal Service Ordering Codes or other detail information that Qwest acknowledges are "important for bill validation."[16]

It is particularly important that Qwest provide auditable CABS BOS bills, since Qwest lacks sufficient internal auditing procedures resulting in known errors with its bills. Despite the limits on the audits WorldCom has been able to conduct, WorldCom already has opened billing disputes with Qwest for hundreds of thousands of dollars. Lichtenberg Decl. ¶ 94. One reason for this is presumably the lack of internal checks on Qwest's bills. KPMG was unable to conclude that Qwest has in place an internal process for validating bill accuracy. KPMG was unable to determine whether Qwest complied with cycle-balancing procedures to resolve out-of-balance conditions *or* whether Qwest uses sufficient reasonability checks to identify errors not susceptible to pre-determined balancing procedures. KPMG was also unable to determine whether Qwest had procedures to ensure that payments and adjustments are applied when errors are identified. And KPMG was unable to determine whether Qwest ensures that bills are retained for a sufficient length of time so that CLECs can challenge them. Id. Because Qwest has not shown that it has processes in place to ensure that it produces accurate bills, the unavailability of auditable bills in CABS BOS format is an especially severe deficiency.

H. Qwest Change Management Process Is Untested

Qwest recently implemented a new change management process. Much of this process was not put in place until April of this year, and it has not yet been tested. Even

[16] Qwest I July 10 *ex parte* letter, Tab 1 at 4.

though the process has significantly improved, there is no basis on which to conclude that it operates sufficiently. Qwest therefore has not yet "demonstrated a pattern of compliance with this plan," as required by the Commission in section 271 applications.[17]

Moreover, the third-party tester did not determine that Qwest's change management process is adequate. Indeed, the change management process was still being designed at the time that KPMG performed its testing. As a result, of the 18 change management components that KPMG was able to test, it was unable to determine compliance for seven of them. Specifically, KPMG was unable to determine whether procedures and systems are in place to track descriptions of proposed changes and key notification dates and changes in status (Final Test 23-1-7, 23-2-7); whether criteria were defined for the prioritization process and for coding the severity of defects (Final Test 23-1-8. 23-2-8); whether Qwest complies with notification intervals and documentation release requirements (Final Test 23-1-9. 23-2-9); and whether the change management process as a whole is in place and documented (Final Test 23-2-2). KPMG's inability to determine whether Qwest was complying with its new procedures is particularly worrisome in light of prior KPMG findings that there were some areas in which Qwest did not appear to adhere to its change management procedures. Final Test 23-1-9, KPMG Exceptions 3904, 3111, Observation 3103; Lichtenberg Decl. ¶ 76.

In sum, Qwest has made important progress in moving toward an acceptable change management process, but we do not yet know if Qwest will implement that process successfully and ultimately demonstrate "a pattern of compliance."

[17] Georgia/Louisiana Order ¶ 179.

I. Qwest Lacks an Independent Test Environment

Qwest does not provide an independent test environment that mirrors production, as required by the Commission for section 271 approval. The Commission recently explained, "[a] stable testing environment that mirrors the production environment and is physically separate from it is a fundamental part of a change management process ensuring that competing carriers are capable of interacting smoothly and effectively with a BOC's OSS, especially in adapting to interface upgrades."[18]

To the extent Qwest relies on its original test environment, the Interoperability Environment, we note that it is not a physically separate environment. Rather, it is simply a production environment with special flags for test orders. A physically separate test environment is crucial so as to avoid the significant risk that test orders and production orders will become intermingled in the test environment. HP explained that Qwest informed it that it "has not yet developed the means to ensure that test transactions executed in interoperability will not impact live accounts . . . Qwest's concern is reasonable, as HP has experienced adverse impacts to live accounts when utilizing Qwest's Interoperability Testing process." Notarianni & Doherty Decl., Att. LN-OSS 83. The Interoperability Environment therefore fails one of the Commission's primary criterion for an adequate test environment.

Moreover, CLECs can only test orders in the Interoperability Environment to the extent they have real customers who would allow them to submit test orders on their behalf. No customer is going to want this. As HP explained, requiring that CLECs use valid account data of live customers for testing purposes, "is costly, time consuming, and

[18] Georgia/Louisiana Order ¶ 187.

inconvenient for both CLECs and their customers." Notarianni & Doherty Decl., Att. LN OSS-83. HP also observed instances in which customer accounts were inadvertently changed.

The next iteration of Qwest's test environment, the Stand-Alone Test Environment (SATE) is also currently inadequate. Although physically separate from production, SATE does not mirror production, as KPMG found. Because SATE does not mirror production, it is difficult for CLECs to rely on SATE as a basis for evaluating a new version of an interface. For example, when CLECs receive a certain response in SATE, they have no way of knowing whether they will receive the same response in production and whether they should revise their systems, ask Qwest to revise its systems, or conclude that there is no need for any changes. Lichtenberg Decl. ¶ 111.

KPMG's first criticism of SATE focused on the fact that SATE does not enable CLECs to test all products that Qwest offers. Although Qwest claims that this was the choice of CLECs, that is so only because the alternative presented by Qwest was even worse. Qwest presented CLECs with the choice of either limiting the functionality included in SATE or foregoing development of other functionality important to CLECs. Lichtenberg Decl. ¶ 106. Moreover, even Qwest acknowledges that CLECs placed high priority on inclusion of some additional products to SATE, Notarianni & Doherty Decl. ¶ 757-58, and Qwest has yet to include those products, although it promises to do so soon. But the fact remains that Qwest has applied for section 271 authority before developing an independent test environment capable of testing important products.

More important, however, is that even for those products that CLECs can test, SATE does not mirror production. Lichtenberg Decl. ¶ 106. KPMG noted that the response-times in SATE do not match production; that the detail received on a production response such as a FOC or a completion notice may not match production -- "another indication that the testing environment does not provide CLECs with an accurate depiction of production capabilities;" and that SATE also fails to mirror production in that CLECs must select predetermined paths in order to receive responses automatically. As a result, KPMG issued Exception 3077 that identifies issues with how CLEC orders are processed in the test environment. In its Final Disposition Report for that Exception, KPMG explained that "data contained within the order responses is not consistent, and may not mirror the data that would be found in production responses." Exception 3077.

CLEC-experience also demonstrates that SATE does not mirror production. For example, in SATE, when a CLEC sends a pre-order inquiry that contains an address with the word "drive," and the proper designation actually is "DR.," Qwest will respond that there is no match. In production, however, Qwest will respond that there is a near-match or an exact-match. When Accenture, which designed the software for Z-Tel, pointed this out to Qwest, Qwest responded, "[a]t this point we do not have the ability to support this level of comparison logic in SATE. Our production backend systems do. We are currently investigating some different options. The answer to Mike's question is that behavior is specific to SATE and you should not expect to see this in production." Lichtenberg Decl. ¶ 109.

Qwest states that it will document "all known differences between production and SATE."[19] It also acknowledges that error messages are different in SATE and production and that responses may occasionally differ between production and SATE. But as KPMG concluded, "documentation of known differences does not substitute for a test environment that mirrors the transactional behavior of the production environment." Exception 3077.

II. QWEST'S DSL AND LINE SHARING PROVISIONING PROCESSES ARE FLAWED

WorldCom provides DSL service to businesses and Internet Service Providers (ISPs) in Washington by leasing from Qwest xDSL loops and the high frequency portion of local loops. WorldCom's DSL business requires WorldCom to interface with Qwest and access Qwest's systems and databases in order to pre-qualify, order, and maintain the loops required to provide DSL service. Without access to Qwest's pre-ordering systems, for example, we would not be able to tell whether we are able to provide DSL service to a particular end-user. And just like with UNE-P service as described above, WorldCom relies on Qwest to provide status-updates on our orders by returning timely and accurate order completion notices or rejects followed by provisioning completion notifications. Unfortunately, Qwest's performance falls short in a few key areas. In addition, Qwest's practice of not continuing to provide its DSL service to customers who switch to a CLEC for UNE-P voice service constrains competition and is anti-competitive.

A. Qwest Does Not Provide All Pertinent Loop Qualification and Loop Make-up Information

WorldCom is not gaining access to all the relevant loop makeup information that is available in Qwest's network, similar to the experience recently described by Covad.[20] WorldCom agrees with Covad's statement that Qwest must prove to the Commission that all loop makeup information in its network is actually made available to competitors on a non-discriminatory basis. Qwest has not made this showing. In the meantime,

[19] Qwest Brief at 149.
[20] *See* Qwest I June 20 *ex parte* letter

WorldCom has had to unnecessarily reject customers' orders for DSL service simply because we have not been provided all relevant loop qualification information.

When WorldCom queries Qwest's loop qualification database using Qwest's IMA/EDI loop make-up tool, we do not always receive all pertinent information. Nielson Decl. ¶ 3. For example, WorldCom may perform a query and find that fiber exists in the loop, in which case we are unable to provide DSL service to that customer. But we are *not* told that a redundant copper facility over which we could provide that customer DSL service is in fact available. Id. Although Qwest suggests that it has populated its database to include spare copper facilities, it has not been WorldCom's experience that this type of information is actually available. Id. Indeed, in the Qwest I July 10 *ex parte* letter, Qwest does not address the issue of whether its loop qualification database contains information about spare copper facilities.[21] Id. Furthermore, in all likelihood, Qwest itself has access to this important information.

Interestingly, in the Commission's Triennial Review proceeding, Qwest is using its maintenance of spare copper facilities to show that competitors are not impaired without access to Qwest's fiber-fed loops.[22] In that proceeding, Qwest claims that it will not remove copper facilities where it has deployed fiber. Yet, Qwest does not show here that its loop qualification database provides DSL competitors, like WorldCom and Covad, with information regarding the existence of spare copper facilities. Until Qwest makes such a showing, it has not demonstrated it provides competitors will all relevant loop make-up information.

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[21] Qwest I July 10 *ex parte* letter at Tab 9, at 24-25.
[22] *See* Comments of Qwest Communications, CC Docket No. 01-338, dated April 12, 2002, at 45-46.

B. Qwest Improperly Issues a SOC Before Completing the DSL Order

WorldCom has experienced problems with the accuracy of Qwest's Service Order Completions (SOC) for its DSL orders. Nielson Decl. ¶ 4. For example, WorldCom will receive a SOC for certain DSL orders, but then learn through a customer complaint that Qwest has not yet completed the order. Qwest's premature issuance of SOCs creates provisioning and customer-service problems for WorldCom. Customers are dissatisfied with WorldCom when they do not receive service on the day promised, and we are dissatisfied because a customer will call to report that the order was not installed, yet our systems show that the work has been completed. This makes it much more difficult to respond to the customer's complaint.

In response to concerns raised by competitors in the Qwest I proceeding regarding Qwest's issuance of erroneous SOCs for DSL orders,[23] Qwest instituted changes in the way its central office technicians handle such orders.[24] Specifically, Qwest issued a new management directive that any line sharing order not completed by 4 p.m. should be placed in jeopardy status. Although this new process -- the Central Office Job Aid -- will assist in notifying competitors when their orders are delayed, it is unclear whether it will result in issuing a SOC only when the *actual* central office work is *completed*.[25] In other words, it is not at all clear whether Qwest's new process will correct the problem of Qwest automatically generating SOCs on the due date of the order. This is critical.

On July 8, 2002, WorldCom sent Qwest a request for a root-cause analysis of the erroneous SOC problem. Nielson Decl. ¶ 5, Exhibit 1. Qwest responded to WorldCom

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[23] *See, e.g.,* WorldCom Comments at 25.
[24] *See* Qwest I July 12 *ex parte* letter.

on July 30, 2002, stating that it had sent WorldCom jeopardy notices for the orders that WorldCom identified. Id. WorldCom never received jeopardy notices for such orders. As a result, WorldCom is concerned that the issuance of a jeopardy does not stop the issuance of the SOC. Therefore, the jeopardy process may not resolve the SOC issue.

Moreover, if Qwest is auto-completing orders on the due date regardless of whether the work is completed, Qwest's performance results likely are not accurate. Further investigation is warranted. WorldCom intends to follow-up directly with Qwest.

C. Qwest Does Not Provide DSL Service to Many CLEC-Voice Customers

Qwest's refusal to provide DSL service to a customer who has selected a CLEC for UNE-P voice service is anti-competitive. Although Colorado is not the subject of this application, we agree with the Colorado PUC's reply comments in the Qwest I proceeding, that, indeed, such a policy and conduct is "anti-competitive; constitute[s] a potential violation of antitrust laws; and [is] void as a matter of public policy."[26] Qwest's anti-competitive practice is especially harmful to WorldCom as we enter the local market with our Neighborhood voice product and must have a way of providing customers DSL.

In the Arizona SGAT proceeding, Qwest agreed on a 14-state basis to allow CLEC UNE-P voice customers to continue to use Qwest's DSL service. Parties chose not to litigate this issue in many of the states based on Qwest entering into this agreement. Now, however, Qwest is backing out of its agreement in cases where the DSL customer is served by Qwest's preferred ISPs, such as MSN. Many of Qwest's DSL customers

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[25] WorldCom Comments at 25, *In re Application by Qwest Communications International, Inc., for Provision of In-Region, InterLATA Services in Colorado, Idaho, Iowa, Nebraska, and North Dakota,* WC Docket No. 02-148, filed July 3, 2002.

[26] Colorado PUC Reply Comments, *In re Application by Qwest Communications International, Inc., for Provision of In-Region, InterLATA Services in Colorado, Idaho, Iowa, Nebraska, and North Dakota,* WC Docket No. 02-148, filed July 29, 2002.

have been transferred to an ISP under Qwest's "Host Volume Discount Program" that offers volume discounts to ISPs. In fact, Qwest transferred a significant portion of its DSL customers to the ISP Microsoft Network (MSN). Customers of the ISPs cannot obtain UNE-P voice service from WorldCom or any other CLEC, unless the CLEC successfully advises the customers to contact their ISP and have their ISP service disconnected and reconnected to a new ISP.[27] Understandably, customers generally will not want to endure this hassle and are turned away from WorldCom and other CLECs by Qwest's anti-competitive business practices.

III. QWEST MUST REDUCE ITS UNE RATES

Qwest's benchmarking methodology used to support its recurring unbundled network element (UNE) rates in Montana, Utah, Washington, and Wyoming fails to accurately reflect the relative minutes of usage in these states. This error results in inflated UNE rates. Switch usage rates are overstated by 12.8 percent in Washington, 9.1 percent in Montana, and 1.1 percent in Utah. In addition, the price squeeze that exists in all four states prevents competitors from providing local service to the mass market on a statewide basis, contravening the public interest.

A. Background

Qwest's recurring UNE rates were set in separate cost proceedings in each of the states for which it is seeking section 271 approval here. For purposes of its section 271

[27] Qwest stated the following in written responses to WorldCom questions about whether Qwest would continue providing DSL service to CLEC-UNE-P voice customers: "Qwest DSL Host Volume Discount Program arrangements (providing Qwest DSL service to end-users on behalf of Volume Internet Service Providers (VISP)) are not available with UNE-P with Qwest DSL." Qwest further stated that "[I]f the line has VISP DSL, and a CLEC is requesting a UNE-P conversion, Qwest will advise the CLEC that they must go back to the End User and advise them that they must contact their data service provider (ISP) to disconnect their existing DSL service. The VISP DSL line must be disconnected prior to an UNE-P order being issued to convert a line to UNE-P or add another Qwest retail DSL service. Qwest will not accept a VSIP disconnect order from the End User…Qwest VISP DSL is not available with UNE-P services."

application, however, Qwest reduced some of its UNE rates in every state in which the rates exceed a benchmark based on the Colorado rates.[28]

To compute the benchmark for the loop rates in Montana, Utah, Washington, and Wyoming, Qwest multiplies the statewide average UNE loop rate adopted in Colorado by the ratio of Colorado loop cost to the state's loop cost, as those costs are determined by the Commission's Synthesis Model (SM).[29] Frentrup Decl. ¶ 4. To derive the rate for the different zones in the states, Qwest multiplies the ratio of this revised statewide average rate to the originally approved statewide average rate by the rates for the individual zones. Id.

Qwest performs a similar operation to derive a new switch usage rate. Frentrup Decl. ¶ 5. First, Qwest derives the ratio of each state's total non-loop costs to Colorado non-loop costs, as determined by the modified SM. It then multiplies that ratio by the total non-loop rate for Colorado to determine each state's allowed total non-loop rate.[30] Id. If that allowed rate is less than the state's approved non-loop rates, Qwest sets the shared transport rate to the lesser of the state-approved rate or the Colorado rate, retains the state's port rate, and adjusts the switch usage rate so that the new rates in total equate to the allowed total non-loop rate. Id.

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[28] In general, Qwest has reduced loop, switch usage, and, in some cases, transport rates. However, in the state filings implementing these proposed reductions, Qwest has also proposed other new charges or increased existing charges on competitive local exchange carriers (CLECs), so the net effect of the increases and decreases is unclear. This declaration examines only the effect of changes in the loop, switching, and transport rates.

[29] The SM was developed by the Commission to determine universal service costs. To determine UNE costs, modifications to the SM are needed to remove retail overheads, and to spread the remaining wholesale overhead costs among all elements. The SM as modified in this manner has previously been used by the Commission to perform its benchmark analysis.

[30] The total non-loop rate was computed as one port charge, plus the switch usage rate applied to a basket of 1200 originating and 1200 terminating local minutes and 370 combined state and interstate long distance minutes, plus the shared transport rate applied to that same basket of minutes. Qwest makes assumptions about how much of its local traffic is intraoffice, and how much of its traffic is tandem transport to

B. Qwest's Benchmark Demand Levels Are Inconsistent With Commission Precedent

Qwest assumes the same level of minutes in each of the five states under review to compute a monthly per line non-loop charge.[31] To be consistent with the Commission's previous benchmark analyses, Qwest should use state-specific levels instead.

Use of a constant set of demand in all states is inconsistent with the methodology used by the Commission in prior benchmark analyses. For example, in its most recent section 271 decision, the Commission used state-specific demand data in New York and New Jersey to perform its benchmark analysis.[32] The Commission stated that standardized demand assumptions might be reasonable, where, for example, there is an absence of state-specific demand data,[33] but that is not the case here. Qwest possesses state-specific data. The Commission should be consistent in its decisions about whether BOCs should use state-specific or standard demand assumptions, and not just agree to whatever assumption is put forward by the BOC – undoubtedly whatever assumption will result in higher rates.

State-specific demand data are available for all of the states in this application.[34] Data on dial equipment minutes (DEM) are available from the ARMIS 43-04 report.

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determine the exact number of minutes to which its rates apply. These assumptions are given in detail in the Declarations of Jerrold L. Thompson included in Qwest's 271 application.

[31] Specifically, Qwest assumes 1200 originating and terminating local minutes, and 370 toll and access minutes. Twenty five percent of local minutes are assumed to be intraoffice, and 20 percent of toll minutes are assumed to be tandem routed.

[32] See New Jersey Order ¶ 53.

[33] Id.

[34] Qwest claims that it "does not have studies that support state-specific data that delineate the numbers or percentages of originating and terminating intraLATA toll, intrastate interLATA, and interstate interLATA minutes per line per month, broken down on an intra-switch, inter-switch, and tandem routed basis." Qwest Brief at 164 n.79. In fact, the ARMIS data used herein is broken out into local, state toll, and interstate toll. For the purpose of the benchmark analysis, the only additional disaggregation that is necessary is the split between originating and terminating local minutes, the percent of local minutes that are intraoffice, and the percent of toll minutes (state and interstate combined) that are tandem routed.

Frentrup Decl. ¶ 8. Data on retail switched access lines are available in the ARMIS 43-08 report. Id. In its application, Qwest provides the number of resale, UNE-platform and unbundled loop lines it provides to resellers in each of the four states that are included in the application.[35] Id. These data are presented in Table 1, attached to the Frentrup Declaration.

As seen in Table 1, the minutes of use per-line varies substantially across the states, with Colorado having fewer minutes than any state except Wyoming. Montana, Utah, and Washington have substantially higher minutes per-line than Colorado. Substituting the state specific minutes per-line into Qwest's computation of the benchmark rates results in a 12.8 percent reduction in switch usage in Washington, a 9.1 percent reduction in Montana, and a 1.1 percent reduction in Utah. Frentrup Decl. ¶¶ 2, 9.

In *ex parte* letters filed in support of its first section 271 application, Qwest makes several arguments against using state-specific data.[36] First, although it acknowledges that it possesses state-specific minutes of use per-line by state, it claims that it does not possess studies that would show state-specific data on the splits between interoffice and intraoffice calls, between originating and terminating calls, or between tandem and direct routed calls, all of which are necessary to perform the benchmark analysis.[37] Qwest does not explain why it would be improper to use the state-specific minutes described above in conjunction with the Commission's standard assumptions on these items. Frentrup Decl. ¶ 10. Use of the state-specific minutes combined with the standard mix assumptions

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Qwest's benchmark computation makes some standard assumptions regarding these items, and it is reasonable to apply those assumptions to the state specific demand data as well.

[35] *See* Qwest Brief at 17.

[36] *See* Qwest I July 22 *ex parte* letter, Attachment at 3-6.

[37] *See* Qwest I July 22 *ex parte*, letter, Attachment at 3.

better reflects the different market conditions in the states than does the use of the same set of minutes in all the states. Frentrup Decl. ¶ 10.

Qwest also claims that using the standard assumptions for all states will allow it to simplify its multi-state applications and avoid controversy.[38] However, developing the state-specific minutes of use in the manner described above is straightforward, not burdensome, and, because it better reflects actual market conditions, should alleviate controversy. Frentrup Decl. ¶ 11. Finally, Qwest claims that use of state-specific minutes does not systematically result in higher rates – some states will be allowed higher rates under the state-specific minutes of use, and some will be allowed higher rates using the standard assumptions.[39] In fact, Qwest claims, using state-specific minutes of use from 2001 rather than the standard assumptions would result in a lower benchmark in only 7 of the 13 states in which it has used or plans to use the benchmark methodology. Even if this is correct, it misses the point. The relevant issue is that state-specific minutes more accurately reflect the costs that will be incurred by purchasers of UNEs. Frentrup Decl. ¶ 11. As the Commission has already stated, the demand of the average customer is "the single most informed estimate" of potential CLEC demand.[40]

In addition, the Commission should not hesitate to combine state-specific minutes with standard assumptions for traffic mixes (i.e., interoffice versus intraoffice calls, originating versus terminating calls, or tandem versus direct routed calls). The standard assumptions for traffic mixes are based on industry-wide data and thus reflect the best estimate of the mixes that could be expected in any state. Frentrup Decl. ¶ 12. To ignore a known difference among the state in the minutes-of-use per-line simply because all

[38] See Qwest I July 22 *ex parte* letter, Attachment at 4.
[39] See Qwest I July 22 *ex parte* letter, Attachment at 4-5.

other data for the states is not also known unnecessarily results in excessive UNE rates. Id.

For the four states that are the subject of this section 271 application, use of state-specific minutes-of-use will result in significant reductions in the switch usage rates for Montana, Utah, and Washington, as described above, while allowing a *de minimis* increase in Wyoming. Qwest should adjust its rates accordingly.

C. Qwest's UNE Rates Cause a Price Squeeze

Qwest's UNE rates cause a price squeeze that prevents statewide residential competition in all four states. WorldCom is able to offer our premium-priced Neighborhood product in only certain parts of Washington and Utah. In Montana, we would experience a *negative* gross margin in every zone, and in Wyoming, we would experience a negative gross margin in zones 2 and 3 and a meager gross margin of $1.43 in zone 1.

As shown in Exhibit 1, we perform a price squeeze analysis by subtracting the costs of leasing UNEs from the monthly revenue a carrier would receive if it provided a standard measured product, one feature at the same retail price Qwest charges, and the SLC. From that amount, *i.e.,* the gross margin, a carrier must then cover its own internal costs. As WorldCom has explained previously, internal costs typically include customer service costs, costs associated with customers who don't pay their bills, billing and collections, overhead, marketing costs, and other operational costs, and exceed $10 per line per month, even apart from significant up-front development costs.[41]

[40] See New Jersey Order ¶ 54.
[41] *See, e.g.,* Huffman Decl. ¶¶ 8-12, attached to WorldCom Comments, *In re Application for Verizon New England for Authorization to Provide In-Region, InterLATA Services in Vermont,* CC Docket No. 02-7 (FCC filed Feb. 6, 2002).

Exhibit 1 shows that, of all the zones in all the states subject to this application, we are able to cover our own internal costs in only zone 1 in Washington. It is thus impossible for WorldCom to profitably provide residential UNE-P service to the mass market in most of the territory covered by this application. WorldCom can only offer a premium product – and then only in select zones in the states. Although Qwest improved its UNE rates in many respects by benchmarking to Colorado, there remains a price squeeze in each of the four states for which Qwest has sought section 271 authorization here. Qwest's section 271 application should be denied on public interest grounds because of these price squeezes.

IV. QWEST MUST PROVIDE CUSTOMIZED ROUTING TO WORLDCOM, CONSISTENT WITH FCC PRECEDENT

Qwest refuses to provide customized routing to WorldCom in the way WorldCom has requested and to which it is entitled under the Act and Commission precedent. In particular, the Commission's recent Virginia Arbitration decision reconfirms that Qwest must provide customized routing to WorldCom in the way that WorldCom has requested.[42] Until it does so, Qwest fails to meet checklist items 2 and 7 of section 271.

Customized routing enables a requesting CLEC to designate the particular outgoing trunks associated with unbundled switching provided by the incumbent, which will carry certain classes of traffic originating from the CLEC's customers.[43] One use for customized routing is to carry calls from Qwest's switch to the CLEC's Operator Services and Directory Assistance ("OS/DA") platform in order to allow the CLEC to self-provision OS/DA services to its customers. WorldCom wants to self-provision OS/DA services to its customers and has designated its existing Feature Group D trunks

[42] *See also UNE Remand Order* ¶ 441 n.867; *Louisiana II Order* ¶ 221.

as the trunks over which it wants Qwest to route its customers' OS/DA calls. Qwest refuses to comply with WorldCom's request. Qwest maintains that WorldCom must purchase direct trunks dedicated to OS/DA traffic from each of Qwest's end offices to WorldCom's switches, rather than permitting WorldCom OS/DA traffic to travel over common transport to WorldCom's network.

Qwest's refusal to provide customized routing violates the Act and Commission orders. Specifically, Qwest's conduct violates section 251(c)(3),[44] which requires ILECs to provide nondiscriminatory access to network elements, and sections 271(c)(2)(B)(ii), (vii), which requires successful section 271 applicants to provide access to UNEs pursuant to sections 251(c)(3) and 252(d)(1) and access to OS/DA services. Customized routing is part of the unbundled switching network element.[45] ILECs are not required to provide OS/DA as a UNE if they provide customized routing, pursuant to the UNE Remand Order.[46] Qwest does not provide OS/DA as a UNE and therefore must provide requesting carriers with customized routing.

In the recent Virginia Arbitration decision, the Commission reemphasized its finding in the UNE Remand Order that "[c]ustomized routing permits a *requesting carrier* to specify that the incumbent LEC route, *over designated trunks* that terminate in the requesting carrier's operator services and directory assistance platform, operator services and directory assistance calls that the requesting carrier's customers originate."[47] Accordingly, the Commission required Verizon to reflect in its interconnection

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[43] UNE Remand Order ¶ 441 n.867.
[44] 47 U.S.C. § 153 et. seq.
[45] 47 C.F.R. § 51.319(c)(1)(iii)(B) ("all features, functions and capabilities of the switch, which include but are not limited to: (B) All other features that the switch is capable of providing, including but not limited to, customer calling, customer local area signaling service features, and Centrex, as well as any technically feasible customized routing functions provided by the switch.")
[46] *See* UNE Remand Order ¶ 441.

agreement its commitment to provide customized routing for OS/DA calls over WorldCom's Feature Group D trunks.[48] In other words, it is WorldCom, and not Qwest, that is entitled to designate the trunks on which Qwest will route WorldCom's OS/DA traffic. Qwest has no right to decide that WorldCom must establish separate trunks, which would require WorldCom to build an expensive, inefficient, and duplicative network just to carry its customers' OS/DA traffic.

The Commission also recognized the ILECs' obligations to provide customized routing specifically over Feature Group D trunks in its review of a BellSouth Louisiana's section 271 application.[49] Because MCI did not demonstrate that it had actually requested this method of customized routing from BellSouth, the Commission found the record inconclusive. Nonetheless, the Commission concluded that, absent technical infeasibility, an ILEC's failure to provide customized routing using Feature Group D signaling violates the Act. The Commission stated:

> MCI raises a separate challenge to BellSouth's customized routing offering. MCI claims that BellSouth will not "translate" its customers' local operator services and directory assistance calls to Feature Group D signaling. As a result, MCI cannot offer its own operator services and directory assistance services to customers it serves using unbundled local switching. MCI, however, fails to demonstrate that it has requested Feature Group D signaling, and BellSouth claims that it has never received such a request. Thus, the record is inconclusive as to this objection. We believe, however, that MCI may have otherwise raised a legitimate concern. If a competing carrier requests Feature Group D signaling and it is technically feasible for the incumbent LEC to offer it, the incumbent LEC's failure to provide it would constitute a violation of section 251(c)(3) of the Act. Our rules require incumbent LECs, including BOCs, to make network modifications to the extent necessary to accommodate interconnection or access to network elements.[50]

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47 Virginia Arbitration Order ¶ 533, citing UNE Remand Order at ¶ 441, n.867 (emphasis added).
48 Virginia Arbitration Order ¶ 535.
49 Louisiana II Order ¶ 221.
50 *Id*. ¶ 226.

Here, WorldCom has requested customized routing from Qwest through Feature Group D signaling. WorldCom officially made this request in March, 2002 and raised the issue in 2001 as part of cost dockets and negotiations to amend interconnection agreements.[51] Qwest's assertion that it is technically unable to provide customized routing consistent with our request is not justification for Qwest to skirt the terms of the Act and Commission precedent.[52] The Commission has clearly stated that Qwest must make network modifications necessary to accommodate WorldCom's customized routing request. Several state commissions agree.[53]

Moreover, Qwest's statement that WorldCom has not agreed "to work with Qwest in good faith" on this matter is untrue.[54] WorldCom has helped explain to Qwest how, from a technical standpoint, to provide customized routing in the form requested and has generally worked cooperatively with Qwest to obtain the desired result. Qwest's suggestion that WorldCom submit a bona fide request (BFR) to obtain customized

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[51] In June 2001, WorldCom and Qwest negotiated an amendment to their interconnection agreements permitting WorldCom specifically to obtain customized routing over Feature Group D trunks. And in several state regulatory proceedings in 2001, WorldCom filed testimony outlining its request for customized routing from Qwest.

[52] Qwest I Reply Comments, Simpson Reply Decl. ¶ 22.

[53] For example, an Administrative Law Judge in Minnesota concluded that WorldCom and others demonstrated that Qwest improperly did not accommodate technologies used for customized routing as required by the FCC, and therefore required Qwest to offer OS/DA as a UNE. *See In re a Commission Investigation into Qwest's Compliance with Section 271(C)(2)(B) of the Telecommunications Act of 1996; Checklist Items 3, 7, 8, 9, 10, and 12;* OAH Docket No. 12-2500-14485-2, PUC Docket No. P-421/C1-01-1370, State of Minnesota Office of Administrative Hearings for the Minnesota Public Utilities Commission, May 8, 2002. This recommendation was recently adopted by the Minnesota Commission; See also *Application by Pacific Bell Telephone Co. (U 1001 C) for Arbitration of an Interconnection Agreement with MCImetro Access Transmission Services, LLC (U 5253 C) Pursuant to Section 252(b) of the Telecommunications Act of 1996*, Application 01-01-010,CA PUC Decision, (September 20, 2001) at 13; *Petition of MCImetro Access Transmission Services, LLC et al. for Arbitration with Southwestern Bell Telephone Co. under the Telecommunications Act of 1996*, Texas PUC, Docket No. 24542, Arbitration Award (April 29, 2002) at 163-165; *In the Matter of the Application of Ameritech Michigan for Approval of a Shared Transport Cost Study and Resolution*, Case No. V-12622, Opinion and Order (March 19, 2001) at 10-11.

[54] Qwest I Reply Comments, Simpson Reply Decl. ¶ 23.

routing (and its insinuation that by not doing so WorldCom has been uncooperative)[55] is entirely unhelpful, because the BFR process would only result in further delay and expense to WorldCom. Furthermore, Qwest already has in its possession the necessary information to process WorldCom's request.

In addition, Qwest's claim that it technically cannot provide customized routing[56] is inconsistent with Qwest's statements before the Washington UTC, where Qwest testified that no technical impediment exists to providing customized routing over WorldCom's Feature Group D trunks.[57] Rather, Qwest stated that it would not comply with WorldCom's request based on a "business decision."[58] Qwest has also expressed in state proceedings unsubstantiated "regulatory" and "jurisdictional" concerns with WorldCom's request as it relates to the requirement that Qwest would have to convert 411 traffic to 10-digit dialed numbers. WorldCom is not aware of any regulatory or "jurisdictional" impediments to implementing WorldCom's request. Quite the opposite, Commission precedent requires Qwest to provide WorldCom with customized routing in the form requested. Otherwise, Qwest should not gain section 271 authorization.

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[55] Qwest I Reply Comments, Simpson Reply Decl. ¶¶ 29-30.
[56] Qwest I Reply Comments, Simpson Reply Decl. ¶ 28.
[57] *In the Matter of the Continued Costing and Pricing of Unbundled Network Elements, Transport, Termination and Resale,* Washington Utilities and Transportation Commission, Docket No. UT-003013, Transcript ("WA Transcript") at 4682-4684 and 4756-57.
[58] Id. at 4756-57.

CONCLUSION

Qwest's section 271 application for Montana, Utah, Washington, and Wyoming should be denied for the reasons described above.

Respectfully submitted,

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August 1, 2002

CERTIFICATE OF SERVICE

I, Lori Wright, do hereby certify that on this first day of August, 2002, I have caused a copy of WorldCom, Inc.'s Comments in the matter of WC Docket No. 02-189 Application by Qwest Communications International, Inc. for Authorization Under Section 271 to Provide-In-Region InterLATA Service in Montana, Utah, Washington, and Wyoming to be served by hand delivery and/or e-mail on the following:

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